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Managing

What happens when companies hoard too much talent

When an organization hoards talent, it becomes a breeding ground for anger and resentment.

By James Cowan



Jeffrey Zucker, the president and CEO of NBC Universal, appeared on Charlie Rose’s talk show last month to explain his network’s late-night disaster. He tried to stay positive, a challenge given the very public feud between NBC, Jay Leno and Conan O’Brien.

In short, O’Brien was promised *The Tonight Show* during contract negotiations in 2004 after rival networks tried to poach him away. Leno received his 10 o’clock show over fears he would jump to a competitor. And when Leno’s new show failed, NBC attempted to cram him back into a late-night slot, pushing O’Brien and Jimmy Fallon, the new host of *Late Night*, into the wee hours of the next day. With each increasingly absurd manoeuvre, NBC seemed more worried about thwarting CBS or Fox from claiming their castoffs than about its own lineup.

“We have been able to develop a tremendous bench of talent,” Zucker told Rose. He wasn’t just bragging; NBC employs top performers from Tina Fey to Brian Williams. But the boast only highlighted how NBC bungled the situation. The mistake was not just handing *The Tonight Show* to O’Brien or throwing Leno into prime time. The problem was that NBC stockpiled its stars, regardless of whether they had places to shine, making a talent surplus into a liability, and a functional workplace into a breeding ground for resentment.

“Great talent is situational,” says Marc Effron, president of the Talent Strategy Group, a New York–based consulting firm. “If you have three great leaders and only two spots, it’s OK to let go of the third great leader.”

Consider the case of General Electric, which had its own talent surplus as it struggled to name a successor to CEO Jack Welch in 2000. In the end, Jeff Immelt, the former head of GE's Medical Systems division, won the job. The two runners-up left the company, but neither suffered because of the snub. Robert Nardelli became the CEO of Home Depot and later Chrysler, while Jim McNerney led 3M and then Boeing. All three men enjoyed success, and GE maintained its reputation as a place to build a career.

Conversely, when corporations attempt to retain talent at all cost, it can prove both costly and damaging to their reputations. GlaxoSmithKline, the British drug company, faced a similar succession problem to GE, with three candidates vying for the top job. However, when Andrew Witty became CEO in 2007, the company attempted to entice the other candidates to stay on in a lesser role, using \$4 million incentive packages and promises of seats on the board. The strategy did not work. David Stout rejected the offer immediately while Chris Viehbach soon left for a rival firm — exactly what the company was trying to avoid.

“It's a very slippery strategy,” says Efron of paying for premium talent to keep them from the competition. “If you go down that road, you're going to want to hold on to anyone that might damage you by going to a competitor in the future. And that becomes a very expensive way of doing business as opposed to saying, ‘We're going to run our business as effectively as we can with the right people.’”

Experts argue companies shouldn't worry about competing against former employees. Miriam Ort, a senior human-resource manager at PepsiCo, notes that every time a sports team cuts a player, they do it knowing they could end up facing that person on the field. The New York Yankees recently allowed designated hitter Hideki Matsui to decamp to the Los Angeles Angels, not because he was a bad player — he was a World Series MVP — but reportedly because the team was more concerned with improving its pitching and fielding than retaining the slugger.

“Teams can hold a finite amount of talent,” says Ort, who has co-written a book on talent management with Efron. “And when they make decisions, they understand that they're going to be playing against that player come next year. They just make sure they've made the right decision for their business for that time.”

Problems develop when businesses delude themselves into believing they can retain all of their talent, keep everyone happy and meet all of their strategic objectives at the same time, according to Michael E. McGrath, CEO of the Thomas Group and author of the book, *Business Decisions!*

NBC thought they could keep both Leno and O'Brien, hoarding two of late-night talk's top three talents (and boy, did their efforts amuse David Letterman, the third titan). Their mistake meant they lost one of their marquee players, embittered another one, and did epic damage to their network's reputation. NBC's case offers a strong warning about the dangers of talent hoarding — and makes losing one talk-show host to a rival network look kind of funny in comparison.